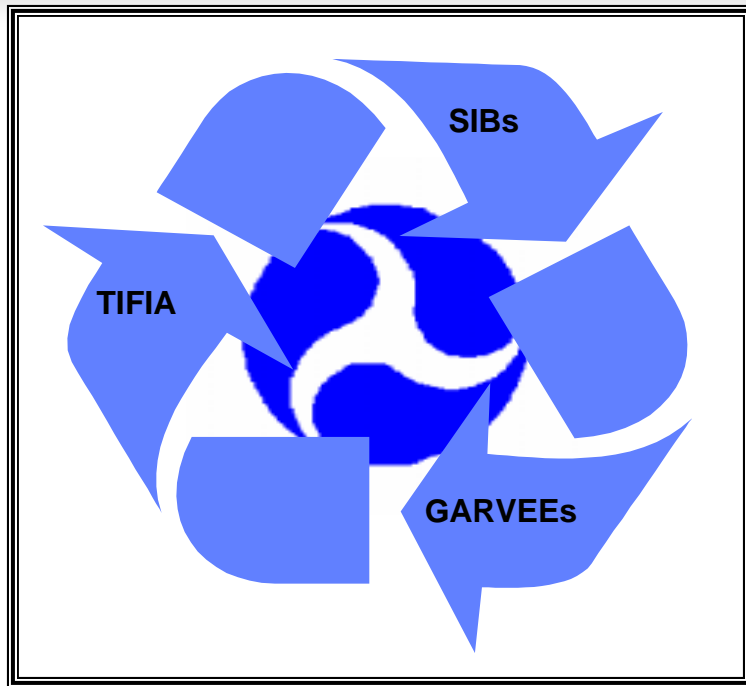


Western States Intermodal Planning Group (IPG) 2002 Conference



Innovative Finance: A Progress Report

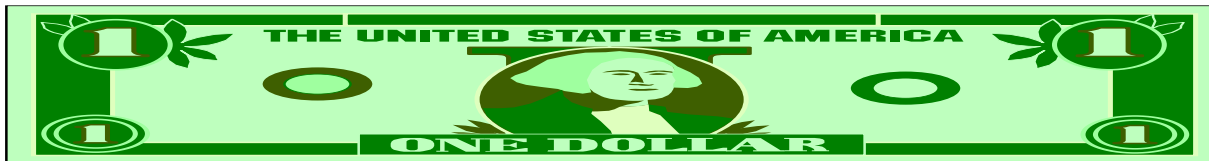
October 7, 2002

***Suzanne H. Sale, Federal Highway Administration
US Department of Transportation***



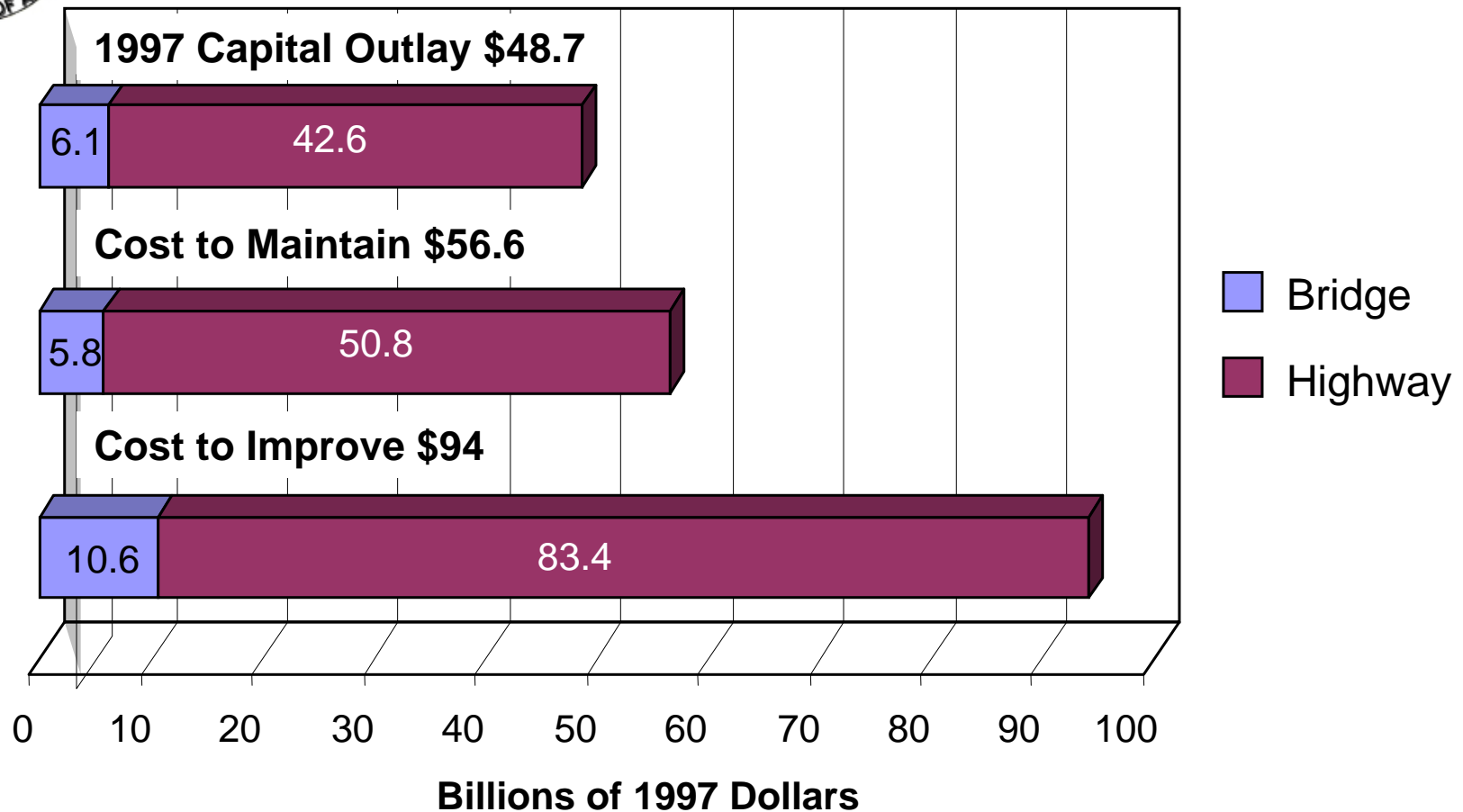
The Evolving Federal Role

- Traditionally, the Federal Government has financed highways through 80% grants
- With ISTEA & TEA-21, DOT began providing alternative or “innovative” forms of non-grant assistance to move projects into construction more quickly
- Goal: Leverage limited Federal resources





1997 Capital Outlay v. Highway and Bridge Investment Requirement Scenarios



Source: 1999 Status of the Nation's Highways, Bridges and Transit: Conditions and Performance Report to Congress



USDOT Strategic Direction



- ***Secretary Mineta's Statement (January 2002)***
"Expanding and improving innovative financing programs in order to encourage greater private sector investment in the transportation system.." will be one of DOT's core principles in working with Congress, State and local officials, tribal governments and stakeholders to shape the surface transportation reauthorization legislation."

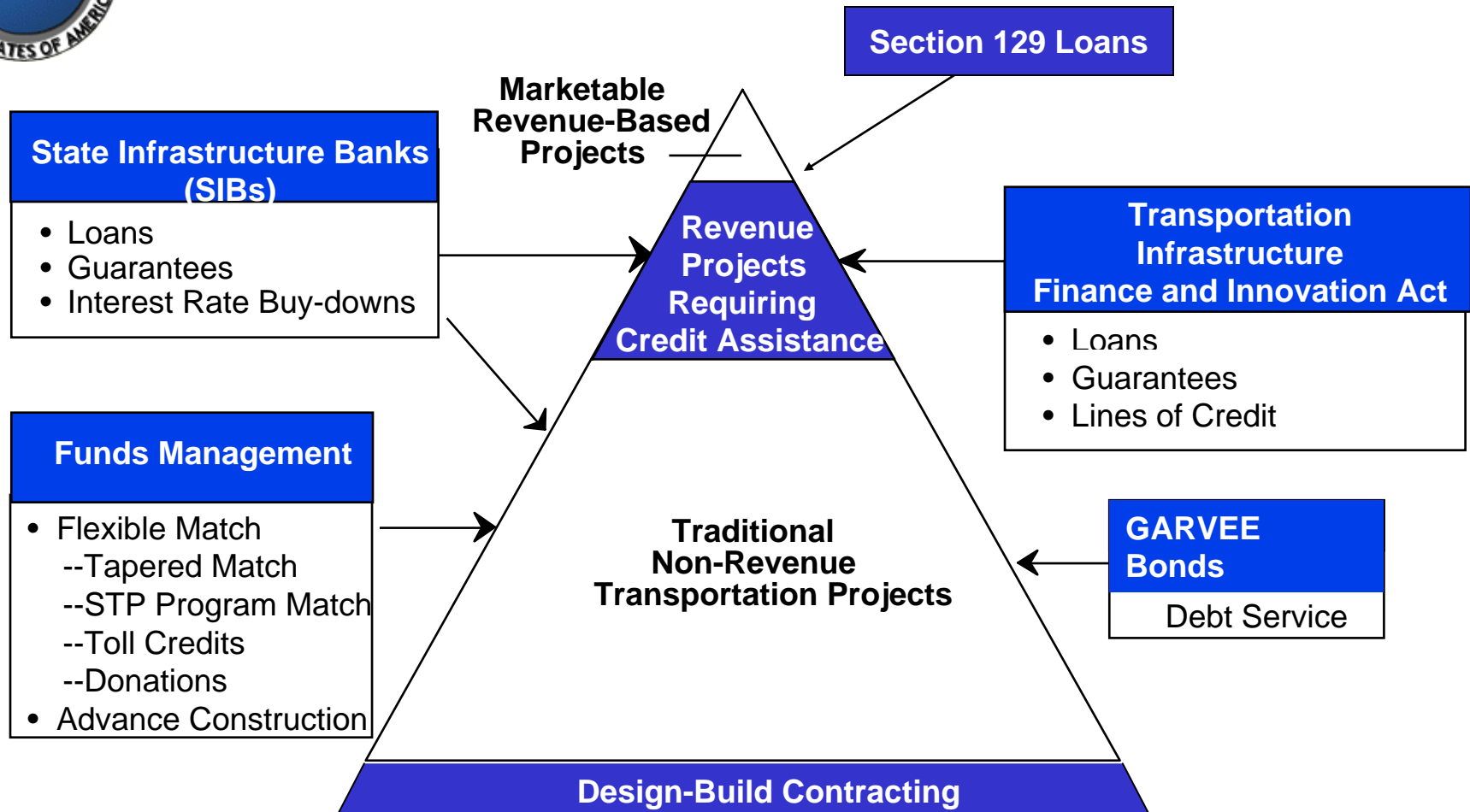


Objectives of Innovative Finance

- **More effectively use existing financial resources**
- **Move projects into construction more quickly**
- **Increase both public and private investment in transportation infrastructure**
- **Supplement, not replace, traditional financing mechanisms**



Federal Finance Tools for Surface Transportation Projects





Innovative Finance Summary: Moving from Concept to Practice

Program	Number	Value of Projects (\$ in millions)
TE-045	76 projects advanced	\$ 4,852*
SIBs	294 loan agreements	4055**
GARVEEs	15 bond issues	2,652
TIFIA	11 projects	15,818

* Initially 100 projects were evaluated at an estimated cost of \$7 billion.

** Dollar value of loan agreements as June 2002.

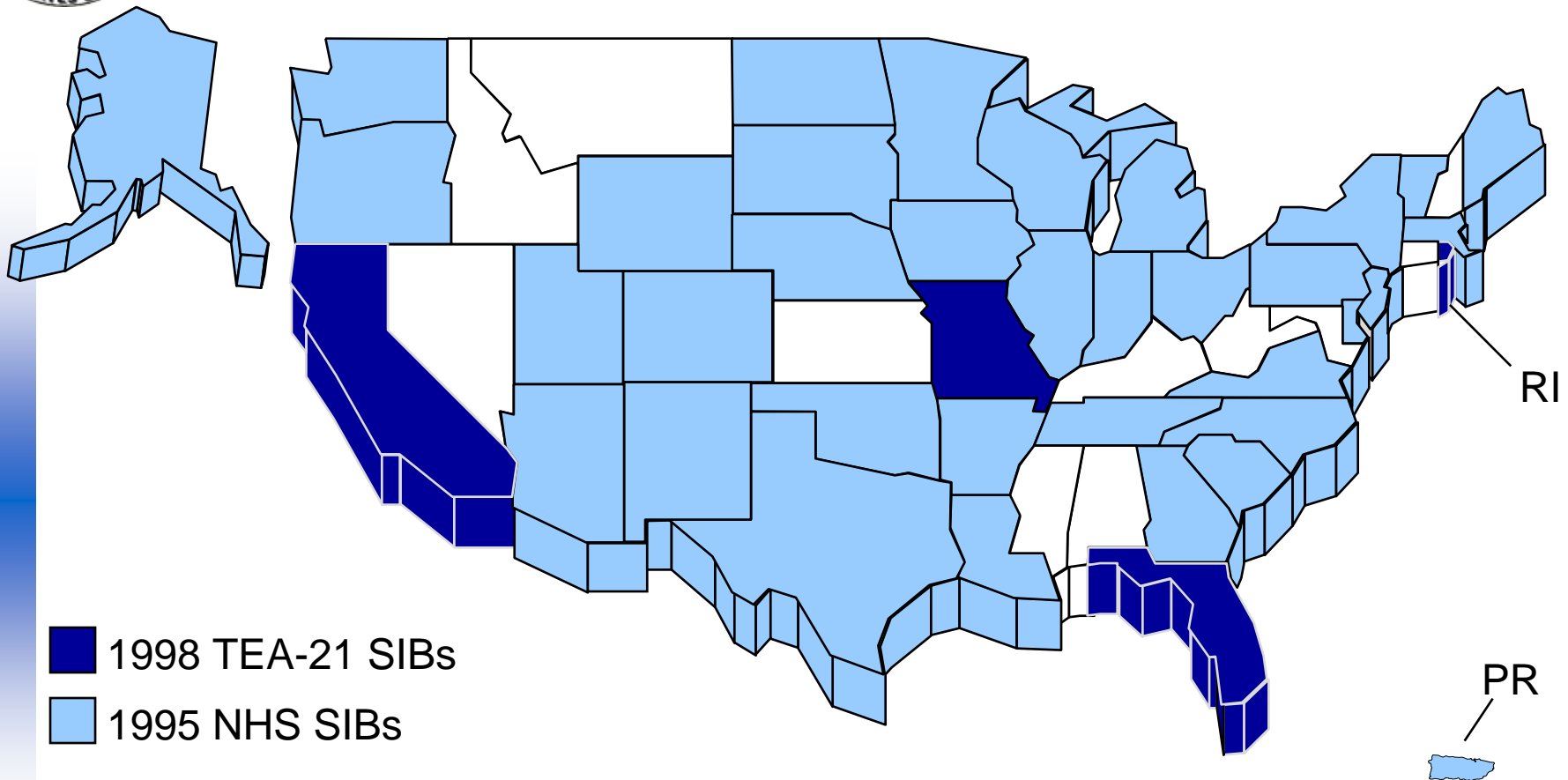


Innovative Finance: Key Considerations

- **Tools are flexible and can be tailored to meet state-specific needs**
- **Synergy in combining tools**
- **Align the tool to the project**
- **Need drives use of new tools**
- **Should maintain balance between traditional approaches and new financing approaches**
- **Application should be linked to state program goals and policies**

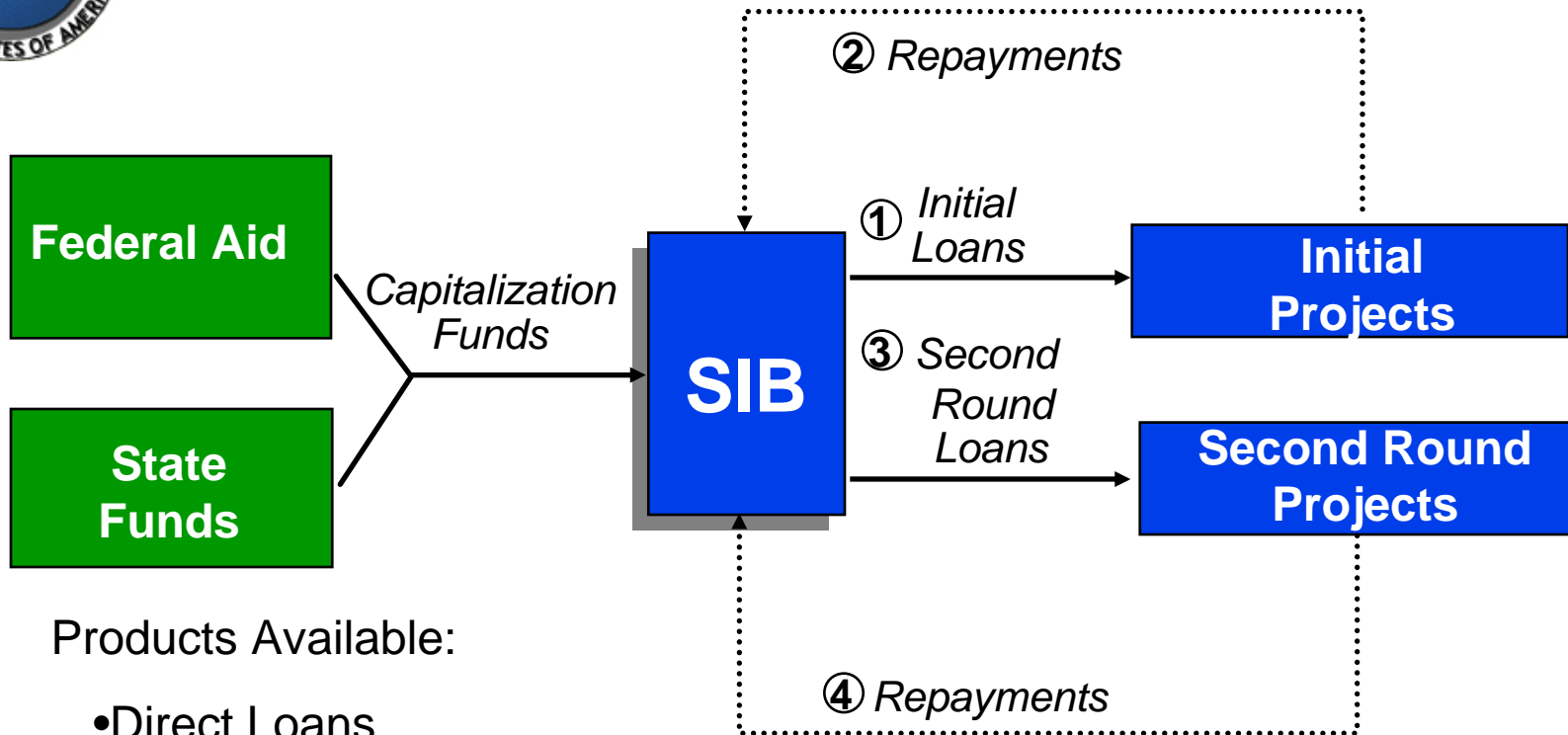


State Infrastructure Banks: Pilot Program Participation





State Infrastructure Banks: Leveraging Funds



Products Available:

- Direct Loans
- Loan Guarantees
- Interest Rate Buydowns
- Other

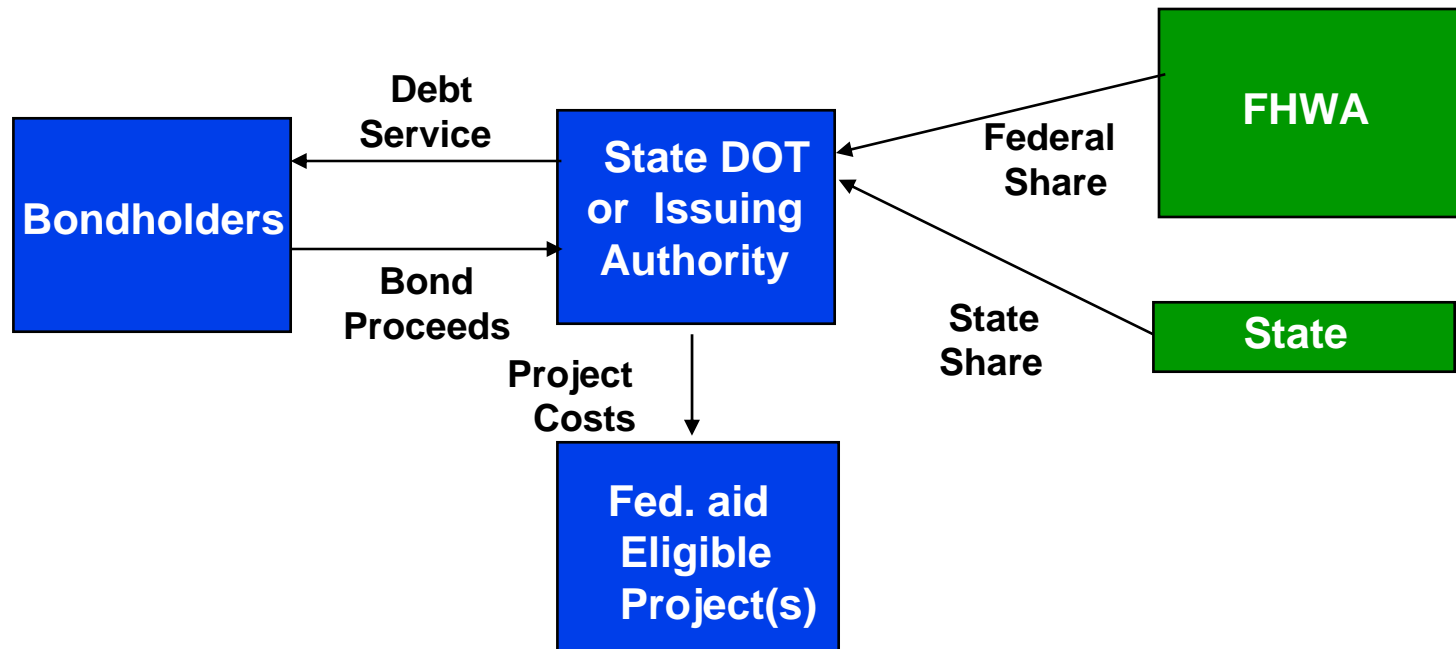


State Infrastructure Banks: Progress to Date (June 2002)

State	Number of Agreements	Loan Agreement Amount (thous.)	Disbursements to Date (thous.)
South Carolina	6	2,382,000	1,124,000
Florida	32	465,000	98,600
Arizona	37	424,287	216,104
Texas	37	252,013	225,461
Ohio	39	141,231	116,422
Missouri	11	73,251	67,801
Subtotal	162	\$3,737,782	\$1,848,388
Other States	132	317,796	219,044
Total	294	\$4,055,578	\$2,067,432



GARVEEs: Expanding Access to Capital Markets

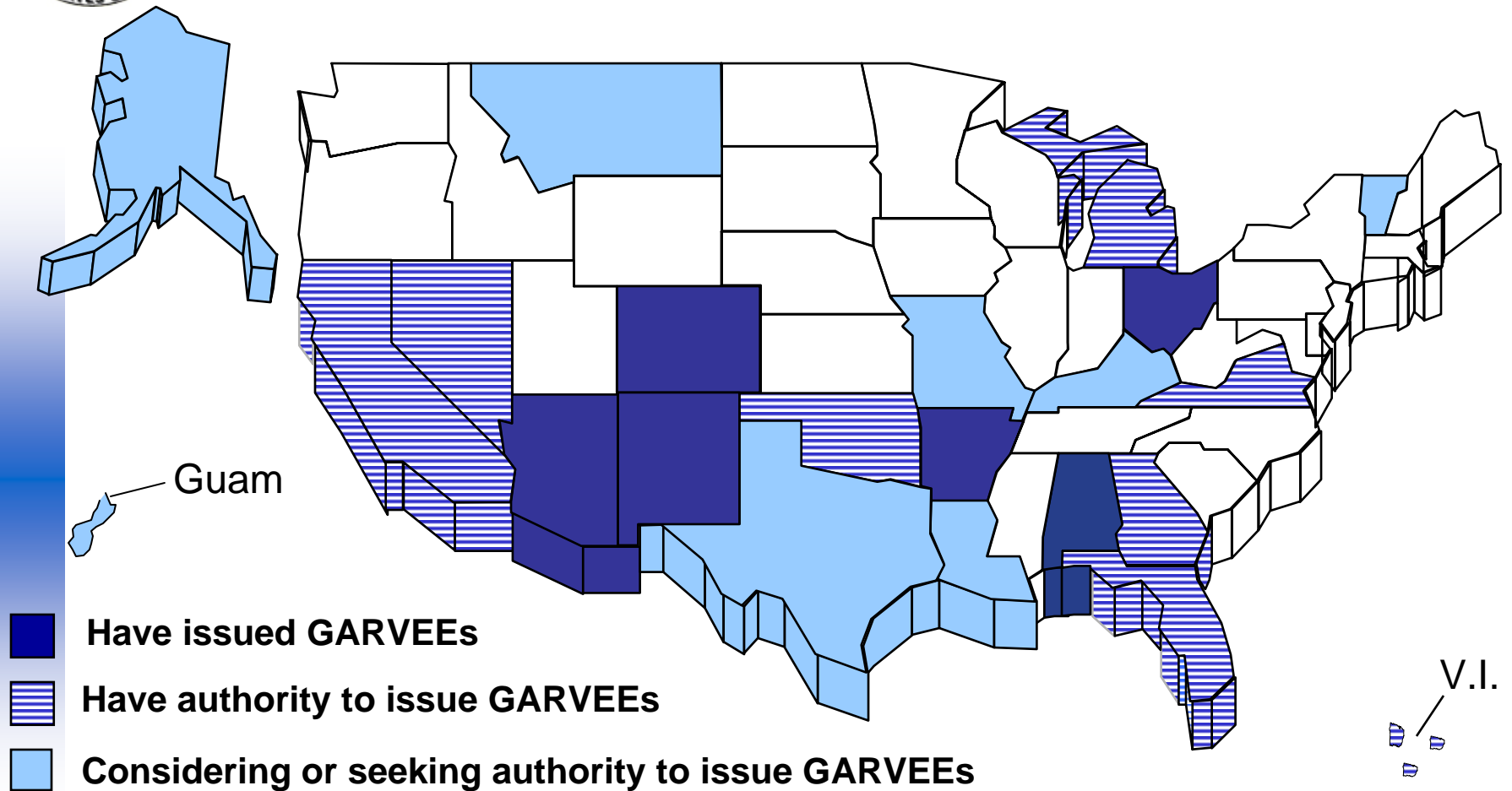


NHS Act of 1995

- Debt Service Reimbursements authorized in Sec. 122 of Title 23, d.b.a. “Grant Anticipation Revenue Vehicles”.
- Federal aid may be used to pay Federal Share of debt service and issuance costs on eligible projects.



GARVEEs: State Participation





GARVEE Transactions to Date (September 2002)

State	Date of Issue	Face Amount of Issue	Rating Moody's/S&P/Fitch	Projects Financed	Backstop
New Mexico	Sep-98 Feb-01	\$100.2 Million \$18.5 Million	A3/A-/na A2/A-/na	New Mexico SR 44	No backstop; bond insurance obtained.
Ohio	May-98 Aug-99 Sep-01 Sep-02	\$70 Million \$20 Million \$100 Million \$135 Million	Aa3/AA-/AA- Aa3/AA-/AA- Aa3/AA/AA- Aa3/AA/AA-	Various projects including: Spring-Sandusky and Maumee river improvements	Moral Obligation pledge to use state gas tax funds and seek general fund appropriations in the event of Federal shortfall.
Arkansas	Mar-00 Jul-01 Jul-02	\$175 Million \$185 Million \$215 Million	Aa2/AA/na Aa2/AA/na Aa2/AA/na	Interstate Highways	Full faith and credit of state, plus state motor fuel taxes.
Colorado	May-00 Apr-01 Jun-02	\$537 Million \$506.4 Million 208.3 Million	Aa3/AA/AA Aa3/AA/AA Aa3/AA/AA	Any project financed wholly or in part by Federal funds	Federal highway funds as allocated annually by COT; Other state funds.
Arizona	Jun-00 May-01	\$39.4 Million \$142.9 Million	Aa3/AA-/AA- Aa3/AA-/AA-	Maricopa freeway projects	Certain sub-account transfers.
Alabama	Apr-02	\$200 Million	Aa3/A/na	County Bridge Program	All Federal construction reimbursements. Also insured.
Total		\$2,651.7 Million			



TIFIA Overview

- **Strategic goal** — to leverage limited Federal resources and stimulate private capital investment in transportation infrastructure by **providing credit assistance** rather than grants to projects of national or regional significance.
- **Major requirements**
 - Large surface transportation projects (\$100M generally, \$30M for intelligent transportation systems – ITS)
 - TIFIA contribution limited to 33 percent
 - Investment grade rating requirement
 - Dedicated revenues for repayment
 - Applicable Federal requirements (Civil Rights, NEPA, Uniform Relocation, Titles 23/49)
 - State/local approvals (transportation plans and permits)
- **Competitive process** — project sponsors submit proposals, including financial plans, to USDOT for consideration and evaluation.



Purpose of the TIFIA Program

TIFIA is intended to facilitate market access through the provision of secondary/subordinate capital (direct loans, loan guarantees, and standby lines of credit).

USDOT can be a flexible, “patient” investor willing to take on investor concerns about investment horizon, liquidity, predictability and risk.

Key objectives:

- Facilitate projects of national/regional significance
- Encourage new revenue streams and private participation
- Fill capital market gaps for secondary/subordinate capital
- Limit Federal exposure by relying on market discipline



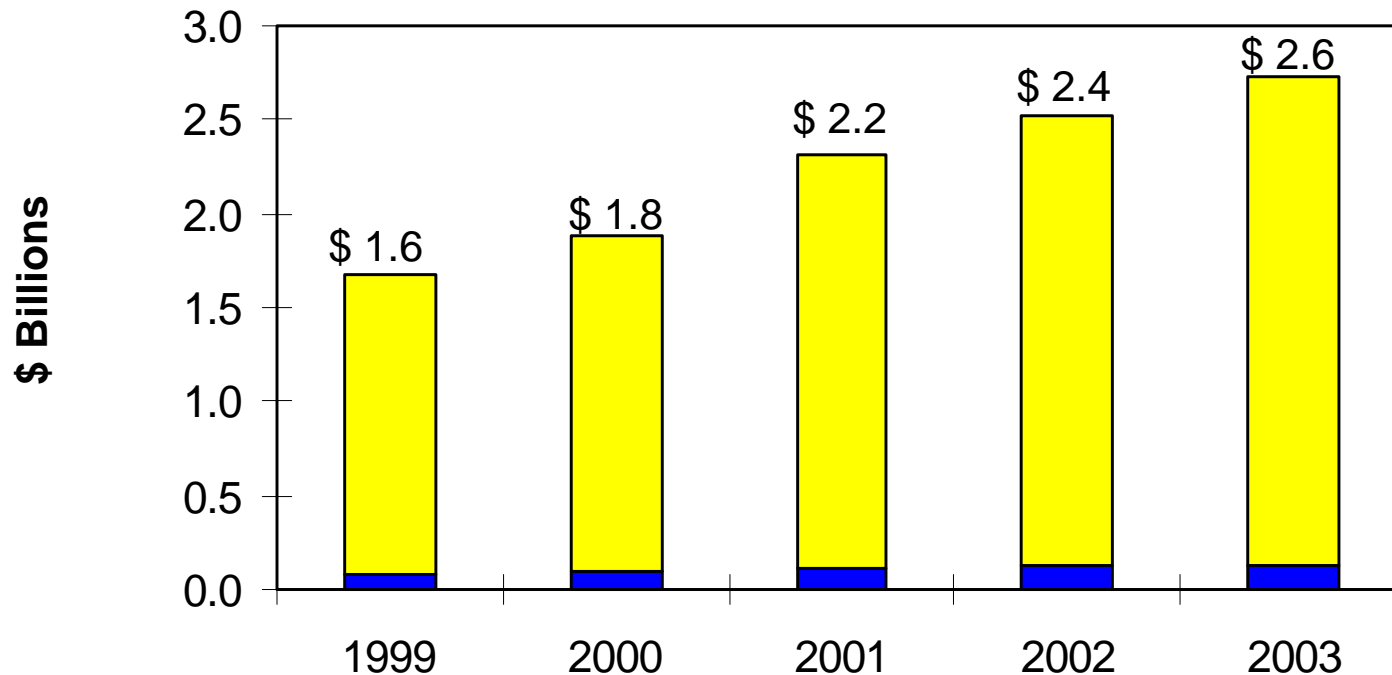
TIFIA Credit Amount and Budget Authority

FY 1999 - 2003 (5 Years)

Maximum Credit Amount: \$10.6 Billion

Maximum Budgetary Cost: \$530 Million

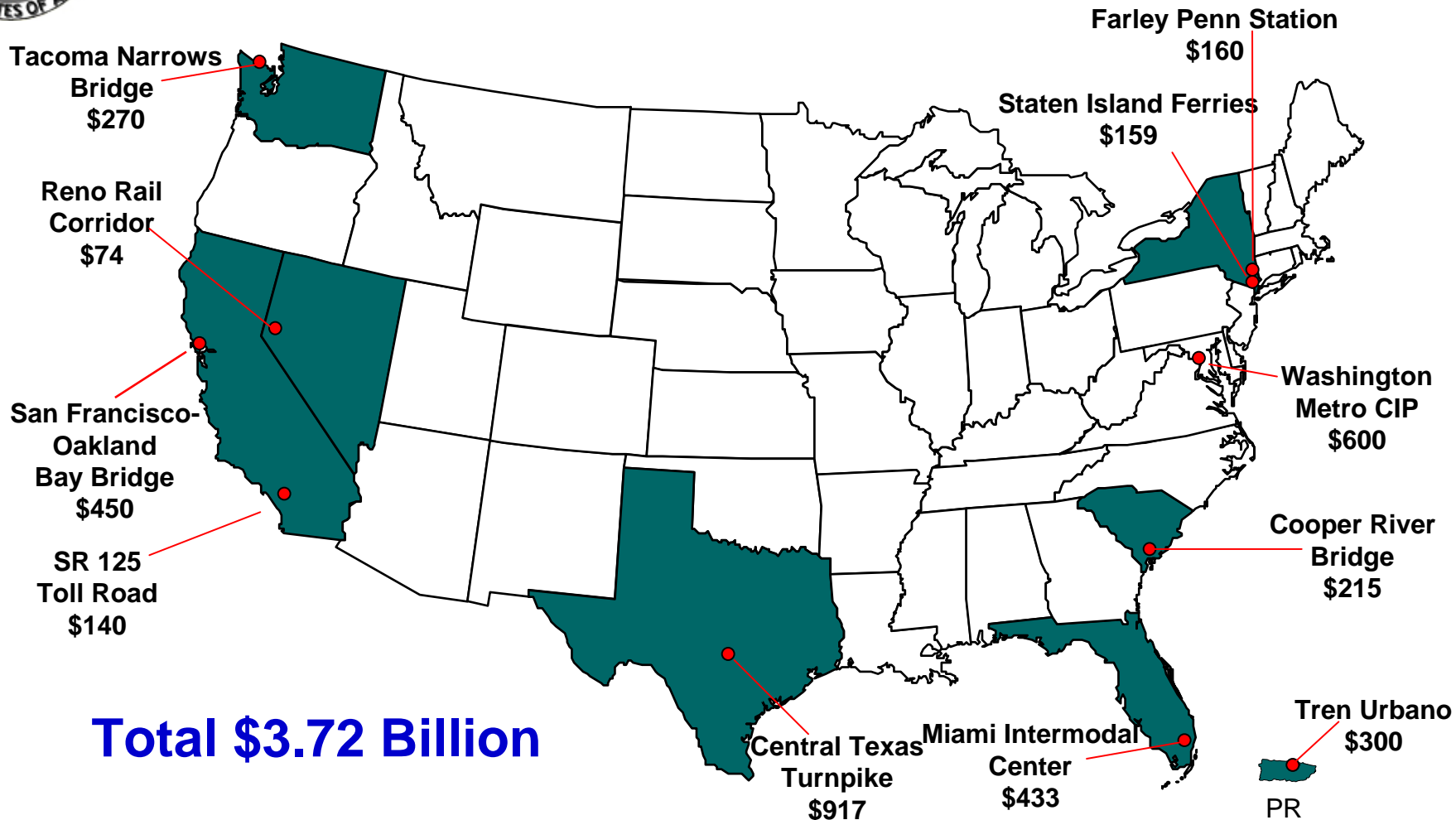
■ Budget Authority ■ Credit Amount





TIFIA Approved Projects

(TIFIA Instruments in Millions)





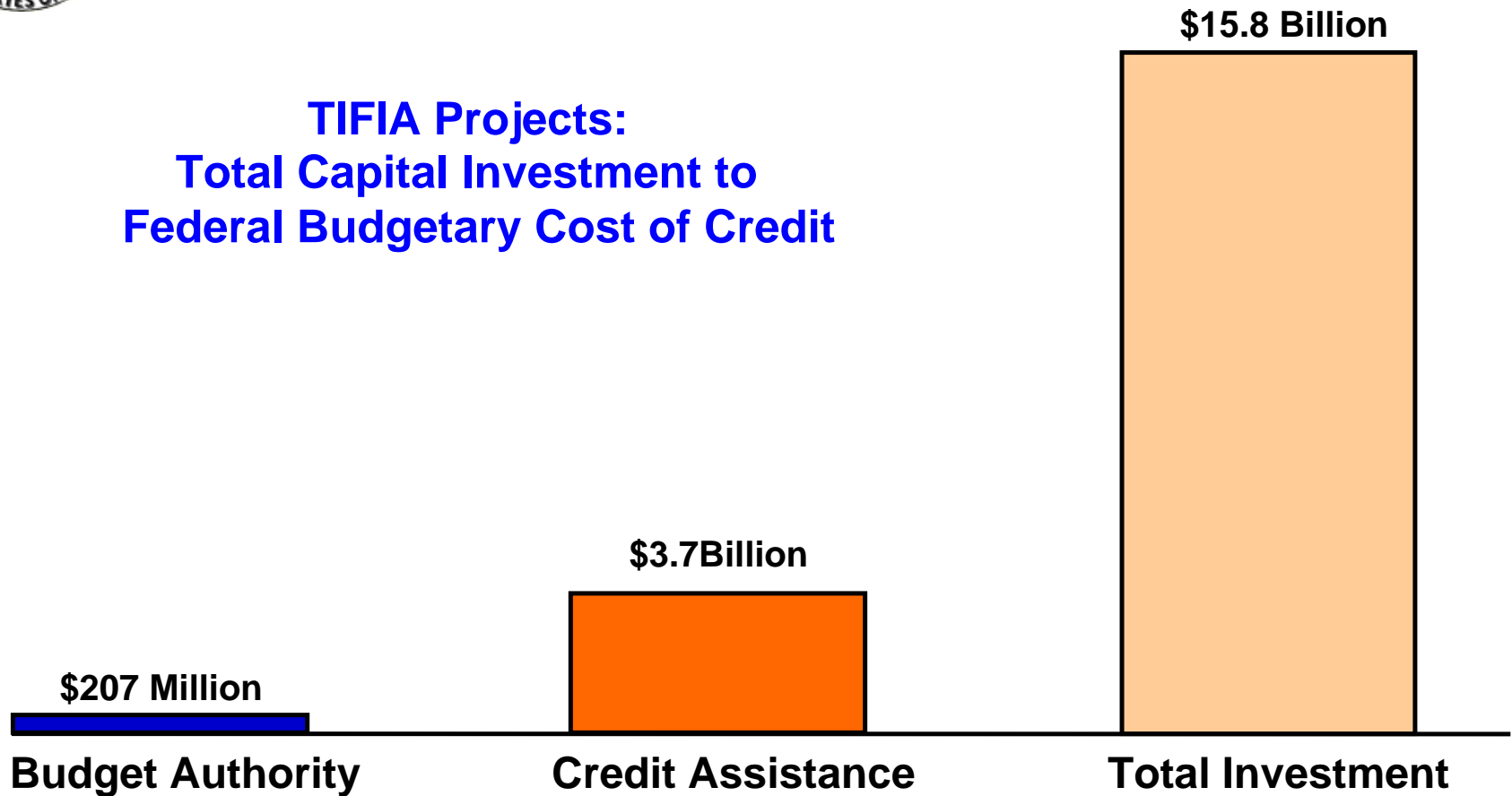
TIFIA Approved Projects (\$ Millions)

Project	Mode	Sponsor	Credit Assistance		Pledged revenues
Tren Urbano	Transit	PR Highway & Transportation Authority	Direct Loan	\$300	Fuel tax receipts, MV fees, fare box receipts
Miami Intermodal -SCETS	Intermodal	Florida DOT	Direct Loan	269	Gas tax revenues
Miami Intermodal - RCF	Intermodal	Florida DOT	Direct Loan	164	Rental car fee
Farley-Penn Station	Passenger Rail	Penn Station Redevelopment Corp.	Direct Loan LOC	140 20	Lease payments from retail development
WMATA	Transit	Washington Metro Area Transit Authority	Guarantee	600	Local government revenues
SR 125	Highway	California Transportation Ventures (CTV)	Direct Loan	140	Toll revenues
Tacoma Narrows Bridge	Highway/ Bridge	United Infrastructure Washington State DOT	Direct Loan LOC	240 30	Toll revenues
Staten Island Ferries	Transit	City of New York	Direct Loan	159	Tobacco settlement revenues
Cooper River Bridge	Highway/ Bridge	SC Transportation Infrastructure Bank	Direct Loan	215	Intergovernmental payments
Central Texas Turnpike	Highway	Texas Turnpike Authority/TexDOT	Direct Loan	917	Toll revenues
Reno Rail Corridor	Intermodal	City of Reno	Direct Loan	74	Retail sales tax, lease income, property assessments
San Francisco-Oakland Bay Bridge Retrofit	Highway/ Bridge	California Department of Transportation	Direct Loan	450	\$1 toll surcharge



Potential TIFIA Leveraging - 76:1

**TIFIA Projects:
Total Capital Investment to
Federal Budgetary Cost of Credit**





Tools in Practice: Arizona's Project Acceleration Plan

Cash Management Techniques

Expanded Capitalization of SIB

Grant Anticipation Notes

Design-Build

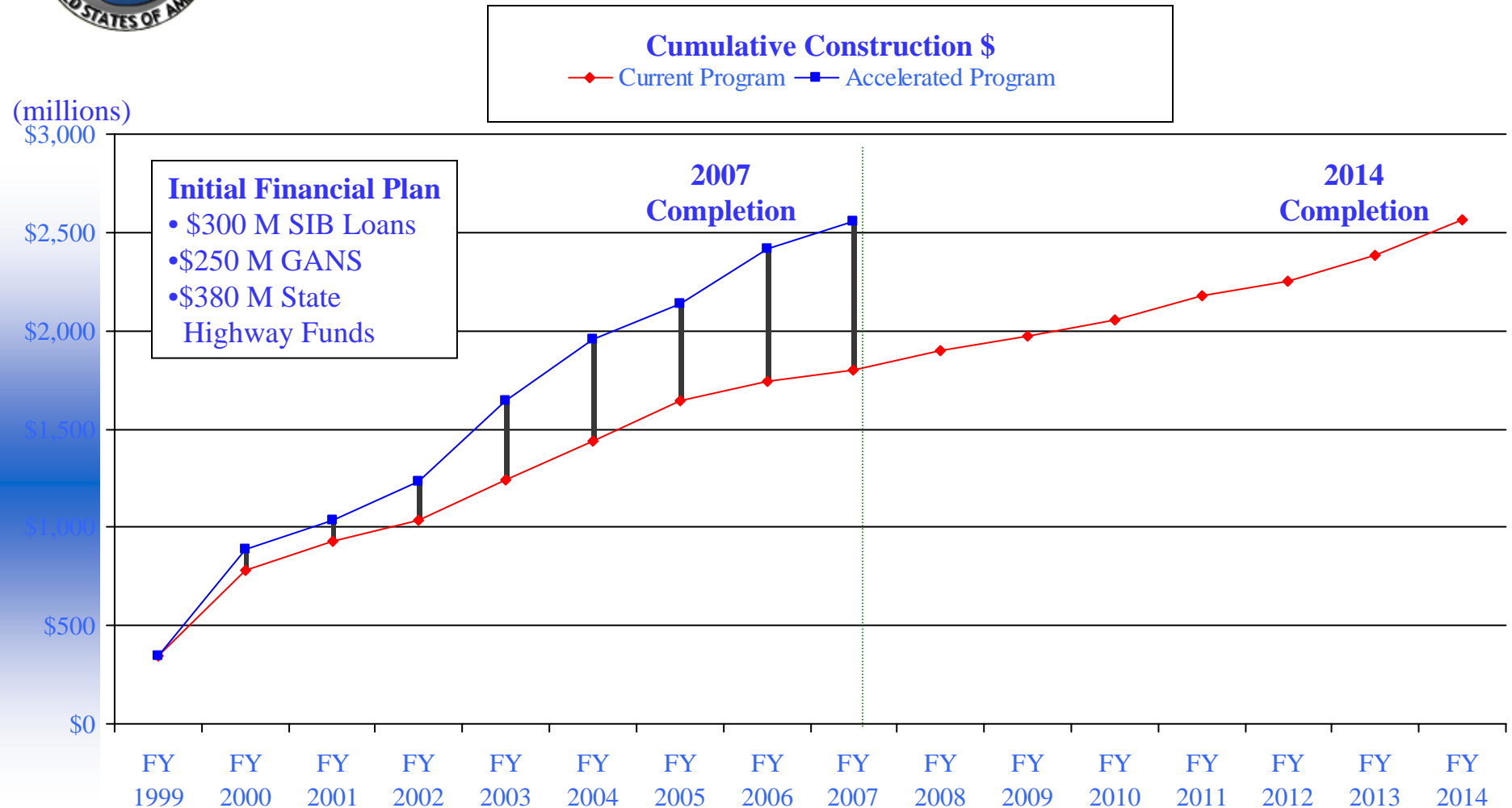
Partnerships with Local Governments



- Using a combination of SIB loans and GANs, ADOT is advancing critical projects statewide.
- Completion of the Maricopa Freeway System accelerated 7 years from 2014 to 2007
- SIB capitalization expanded through additional state funds and Board Anticipation Notes.
- Planned SIB loans for the FY 1999-2004 period total \$600 million.
- In addition \$450 million in GANs expected to be issued.



ARIZONA: ACCELERATED COMPLETION OF MARICOPA REGIONAL FREEWAY SYSTEM





Tools in Practice: South Carolina's 27 in 7 Program

Leveraged State SIB

Hybrid GARVEEs

Public-Private Partnerships

TIFIA Loan

Cash Management Techniques



- In 7 years the SCDOT will be accomplishing 27 years of road and bridge projects, totaling \$5 billion.
- SCTIB is the cornerstone of program with plans to issue an estimated \$1.7 billion in revenue and general obligation bonds.
- The new Cooper River Bridge estimated to cost around \$650 million will be facilitated through a design-build contract. The planned financing includes a \$215 million TIFIA loan and a state SIB loan of \$320 million.



SIB Leveraging: South Carolina's Accelerated Program

(equates to about 2.7 times the normal program)

(\$ in Billions)

State Infrastructure Bank Projects (bonded)	\$ 2.60
*Metropolitan Planning Organization Acceleration Program (bonded)	\$ 0.62
*Council of Governments Acceleration Program (bonded)	\$ 0.62
*Interstate Improvement Program (bonded)	\$ 0.31
System/Intermodal Connectivity	\$ 0.45
Anticipated additional TEA-21 funding	\$ 0.70
Total	\$ 5.30



Tools in Practice: Colorado

GARVEEs

Innovative Contracting

- Design-Build
- Warranties

Cash Management Techniques

Public-Private Partnerships



- **Colorado** is accelerating construction of 28 priority projects with an estimated cost of nearly \$5 billion with proceeds from \$1.4 billion in TRANS (i.e. GARVEEs).
- This initiative includes advancing the \$1.7 billion multi-modal Southeast Corridor (T-REX) project with \$.7 billion in TRANS.
- T-REX, a partnership of the CDOT and RTD, combines both innovative financing and delivery approaches to accelerate construction.



Southeast Corridor Leveraging

Project Finance Plan *(\$ millions)

Sources		Uses	
FFGA (RTD)	\$ 525	P/E	\$ 18
GARVEE Bonds (CDOT)	680	RFP Development	141
Sales Tax Bonds (RTD)	324	Design-Build Contract	1,187
Sales Tax Revenue (CDOT)	115	Add'l Construction	328
Local Funds (RTD)	30		
Total Sources	\$1,674	Total Uses	\$1,674

LEVERAGING RATIO

$$\frac{\text{Total Investment}}{\text{Federal Share}} = \frac{\$1,674}{865} = 1.94$$

Note: Federal share of GARVEE bonds is estimated at 50 percent or \$340 million.

**** As of October 2001.***



Benefits of Federal Leveraging Tools

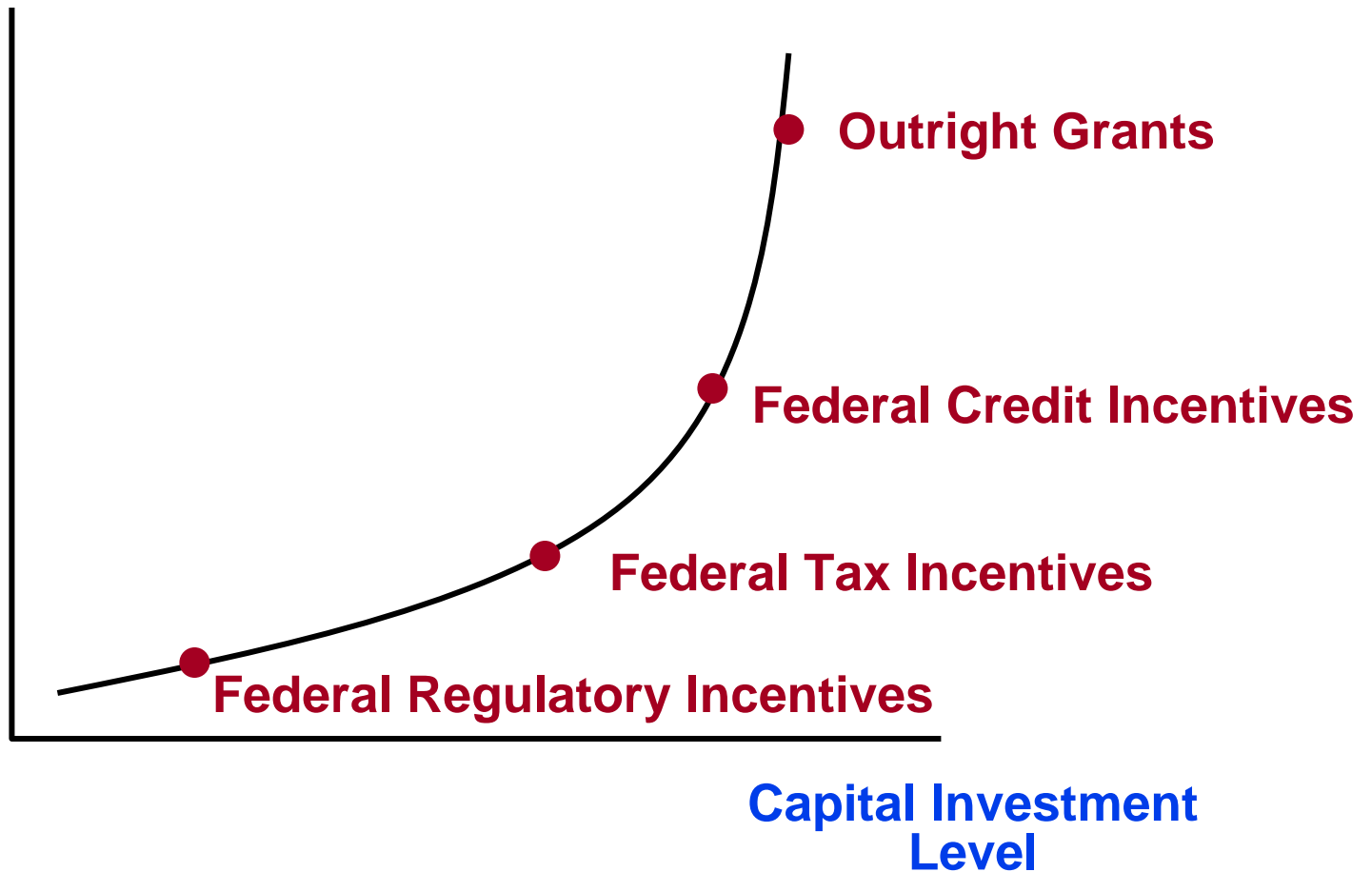
TOOL	BENEFITS
SIBs	<ul style="list-style-type: none">▪ Low cost financing▪ Flexible repayment terms▪ Leveraging through bond issuance▪ Recycling increases resources over time
GARVEEs	<ul style="list-style-type: none">▪ Tax-exempt borrowing rates▪ Up-front financing with flexible structuring to best meet state's transportation needs▪ All bond-financing cost eligible for FA reimbursement▪ Stretches Federal dollars
TIFIA	<ul style="list-style-type: none">▪ Bridges funding gap for large projects▪ Flexible structuring features▪ Favorable interest rates▪ No prepayment penalty

Synergy in Combining Tools



Cost/Benefit Potential for Various Federal Policy Tools

**Budgetary
Cost**





Looking Ahead

- **Continue to work with our partners to enhance existing innovative finance mechanisms**
- **Build on the successes to date**
- **Explore new opportunities - “the next generation of innovative financing tools”**
- **Test ideas under FHWA’s TE-045 program**



Innovative Finance Resources

- ◆ **TIFIA web site**
<http://tifa.fhwa.dot.gov>
- ◆ **FHWA web site**
<http://www.fhwa.dot.gov/innovativefinance>
- ◆ **New IF Clearinghouse**
<http://www.innovativefinance.org>
- ◆ **Innovative Finance Quarterly**



Questions & Answers